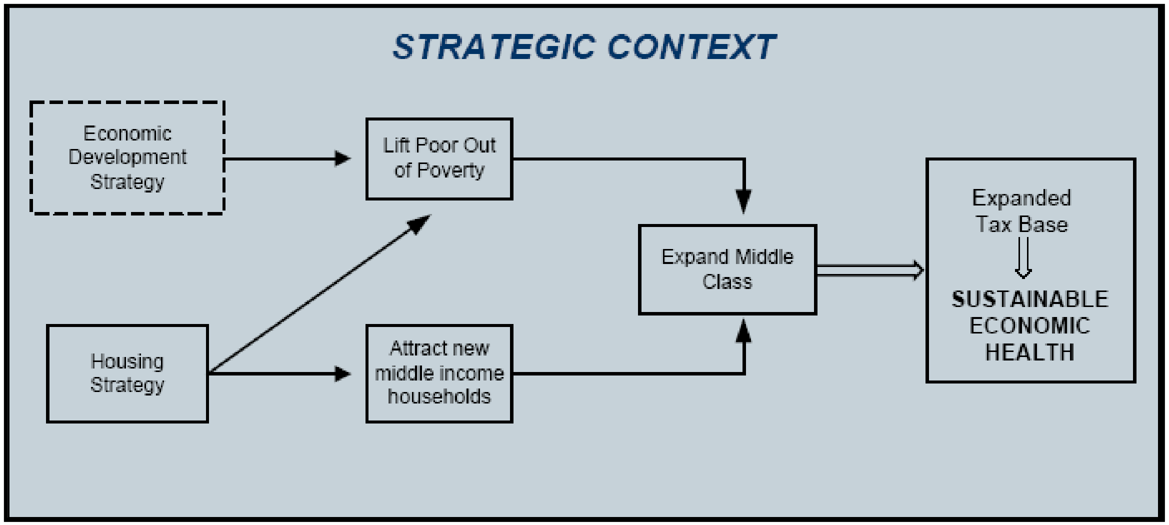
Affordable Workforce Housing Implementation Task Force

"Great Housing in Great Neighborhoods"



November 2006
Final Report

OVERALL GUIDING PRINCIPLES

- **Focus on impact and implementation of prior recommendations**
- **Implement policies and programs that promote:**
  - **Affordable options for wide range of realistic income levels (not setting families up for failure by putting them in house they cannot maintain)**
  - **Creating mixed income communities to ensure long-term sustainability – avoid concentrating poverty by building "all-affordable" developments**
  - **Citywide affordability, not just in certain areas – includes preserving neighborhoods via rehabilitation of existing units**
  - **Housing close to jobs and/or transit where possible (car trip reduction)**
  - **Family friendly mix – goal of affordability for small households <u>and</u> large households**

Affordable Workforce Housing Task Force Focused On Implementation and Action

- Linked to one of Mayor's seven key Economic Development Plan Goals to create 10,000 new affordable workforce housing units by 2009
- Implementing high impact ideas from original 2002 Mayor's Task Force on Housing
- Focus is on impact and implementation, not a new set of recommendations
- Team ensuring coordinated effort with BeltLine housing initiatives as well as Peachtree Corridor, Fort McPherson, and general City Economic Development Plan efforts
- Core team actively engaged – broader teams now shown here are involved to collaborate on each individual initiative to ensure wide buy-in and feedback
  - Ron Terwilliger (Chair) and Renee Glover (Vice-Chair)
  - Lynnette Young (City COO) and Luz Borrero (City Deputy COO)
  - Steve Cover (City Commissioner for Planning and Community Development) and James Shelby (Deputy Commissioner)
  - Alice Wakefield (City Director of Planning)
  - Terri Lee (City Director of Bureau of Housing)
  - Bill Bolen (The DaVinci Group)
  - John Ahmann (Executive Director, ACP)

Affordable Housing Implementation Task Force Priorities

- Clearly establish the current need for affordable workforce housing
- Develop targeting policy for consistent application across all programs (which income levels to target)
- Develop an Inclusionary Zoning Ordinance for approval by the City Council
- Establish a “Housing Opportunity Fund” of ~$75 million to invest in new affordable housing development and/or subsidy of existing units – and leverage the $250 million BeltLine Housing Trust Fund as well as future revenue sources to expand the impact of the programs
- Establish a land assemblage financing program for affordable housing development opportunities that could also utilize a more aggressive Land Bank Authority to lower holding costs

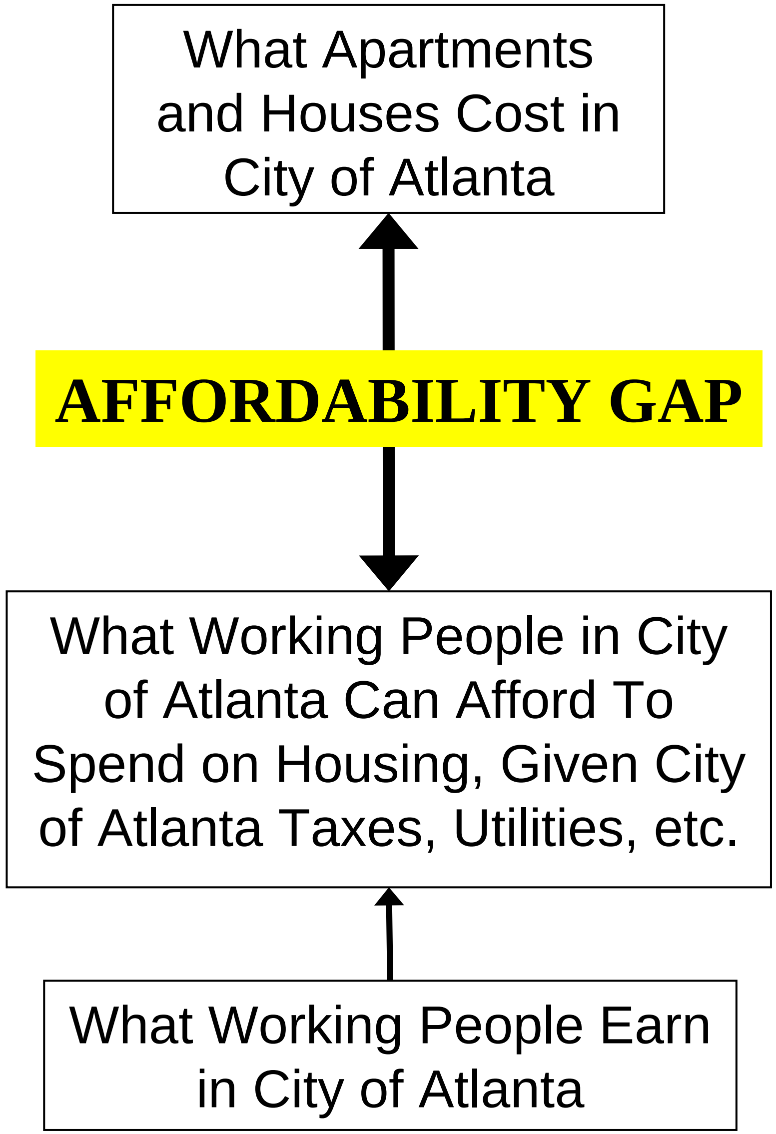
Task Force Process Has Incorporated Significant Input and Feedback From Key Stakeholders

- 2002 Housing Task Force
- ADA
- Nonprofit affordable workforce housing developers
- AHAND
- ANDP
- For-profit housing developers in the City
- Atlanta Apartment Association
- Atlanta Board of Realtors
- Greater Atlanta Homebuilders
- Metro Atlanta Chamber
- ACoRA
- Enterprise Community Partners
- Atlanta Public Schools
- Fulton County

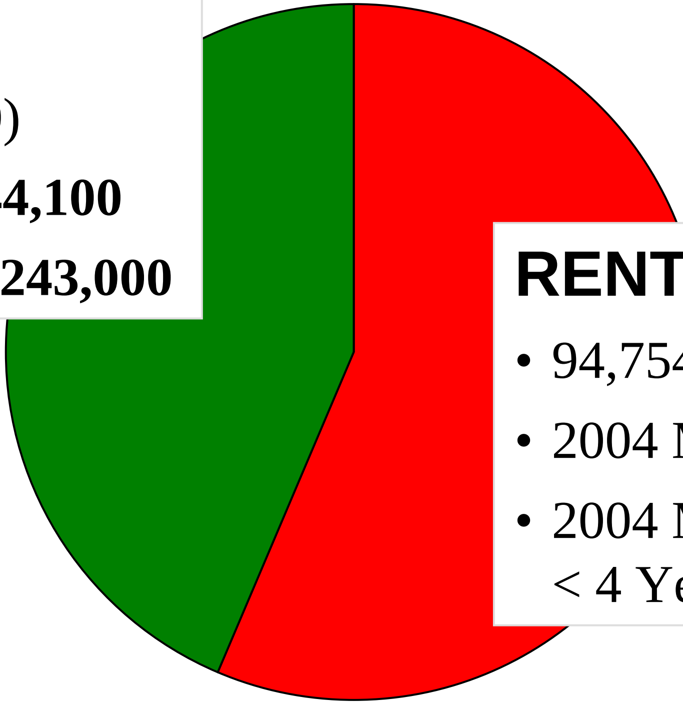
CURRENT SITUATION

OVERVIEW OF CURRENT HOUSING COSTS VS. CITY HOUSEHOLD INCOME LEVELS

Key Factors To Understand For Discussing Affordability Issues



Basic Facts Highlight Expensive City of Atlanta Housing



OWNED UNITS

- 73,448 units in City (2000)
- 2000 Median Value = **$144,100**
- 2002 Avg. Sales Price = **$243,000**

RENTAL UNITS

- 94,754 units in City (2000)
- 2004 Median Rent = **$755**
- 2004 Median Rent for Units < 4 Years Old = **$878**

Source: 2000 U.S. Census, HUD, ARC, 2003 American Community Survey, Bleakly Advisory Group
Note: Average rents and sale prices reflect mix of all sizes (# BR, etc.) not one particular type of unit

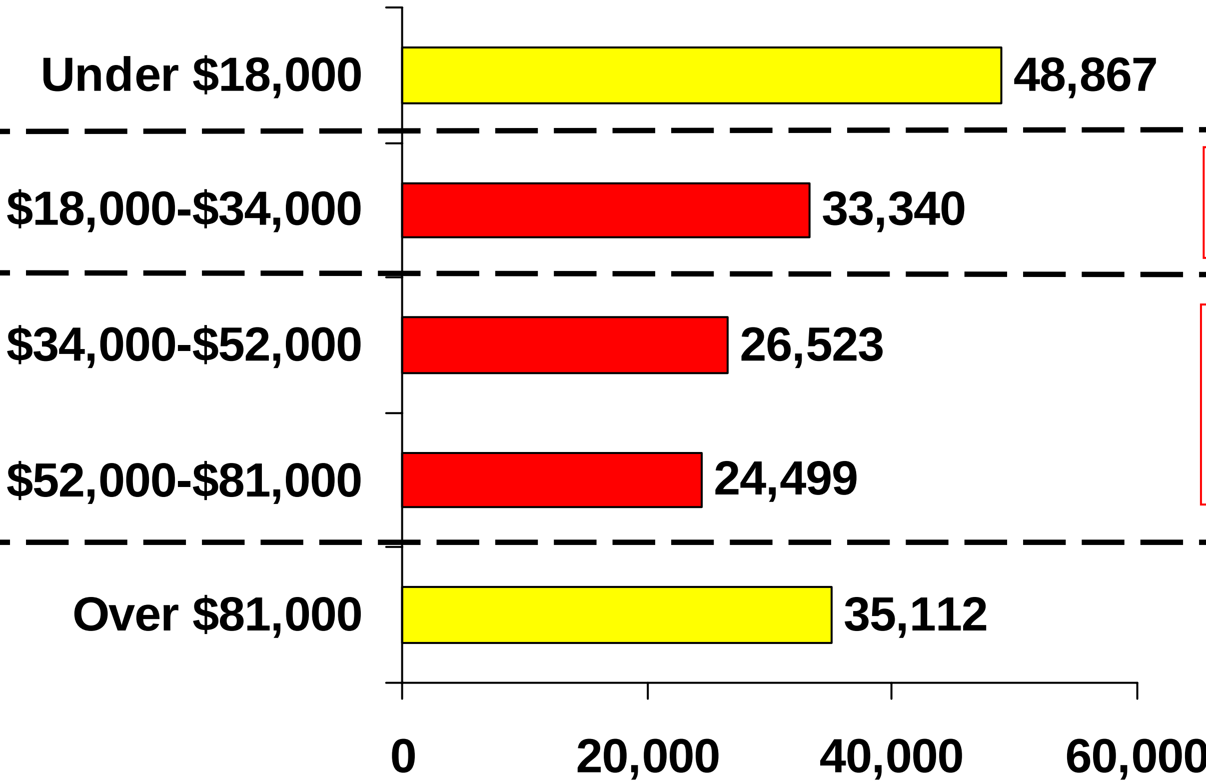
Key General Facts About City of Atlanta Situation

- Majority of new housing units for ownership have been priced over $200,000
- Majority of resale units over $165,000 as well
- Zip code trends indicate greater growth in new construction in only certain zip codes – for some zip codes resale options are almost the only options
- Relative to the rest of the metro area, City of Atlanta has fewer home values in the affordable range of $100k - $200k
- For rental options, City of Atlanta households typically need to earn $30,000 - $50,000 to afford most decent options
- For ownership options, City of Atlanta households typically need to earn $50,000 - $80,000 to own homes in the $150k - $250k range of affordability

Note: Detailed Analysis Pages In Appendix

Comparing Current City Household Income Data To Income Needed for Housing Highlights Our Problem

2000 CITY OF ATLANTA HOUSEHOLD INCOME DISTRIBUTION



Target for poverty/homeless programs, would need very deep subsidy for rental housing

Could only afford most rental housing with some assistance

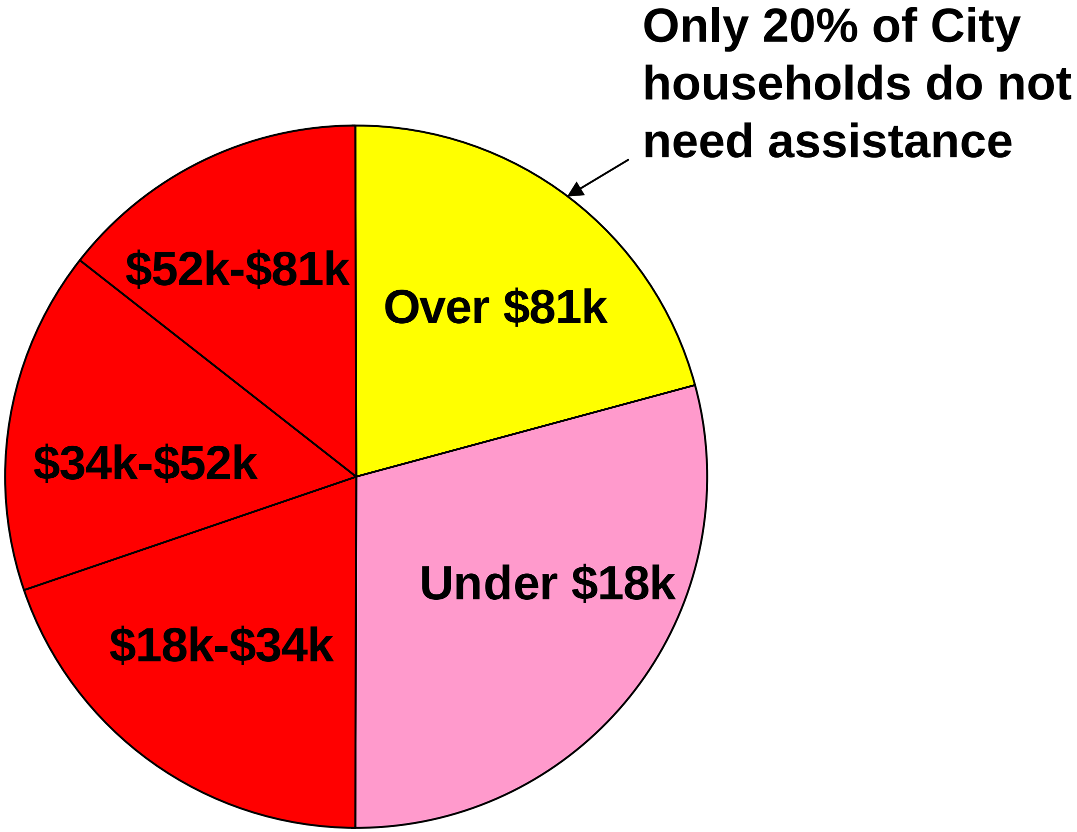
Could afford some rental housing without assistance, likely need assistance to afford most owner-occupied housing

Could afford some owner-occupied housing, may still need assistance

Source: 2000 Census

Comparing Current City Household Income Data To Income Needed for Housing Highlights Our Problem

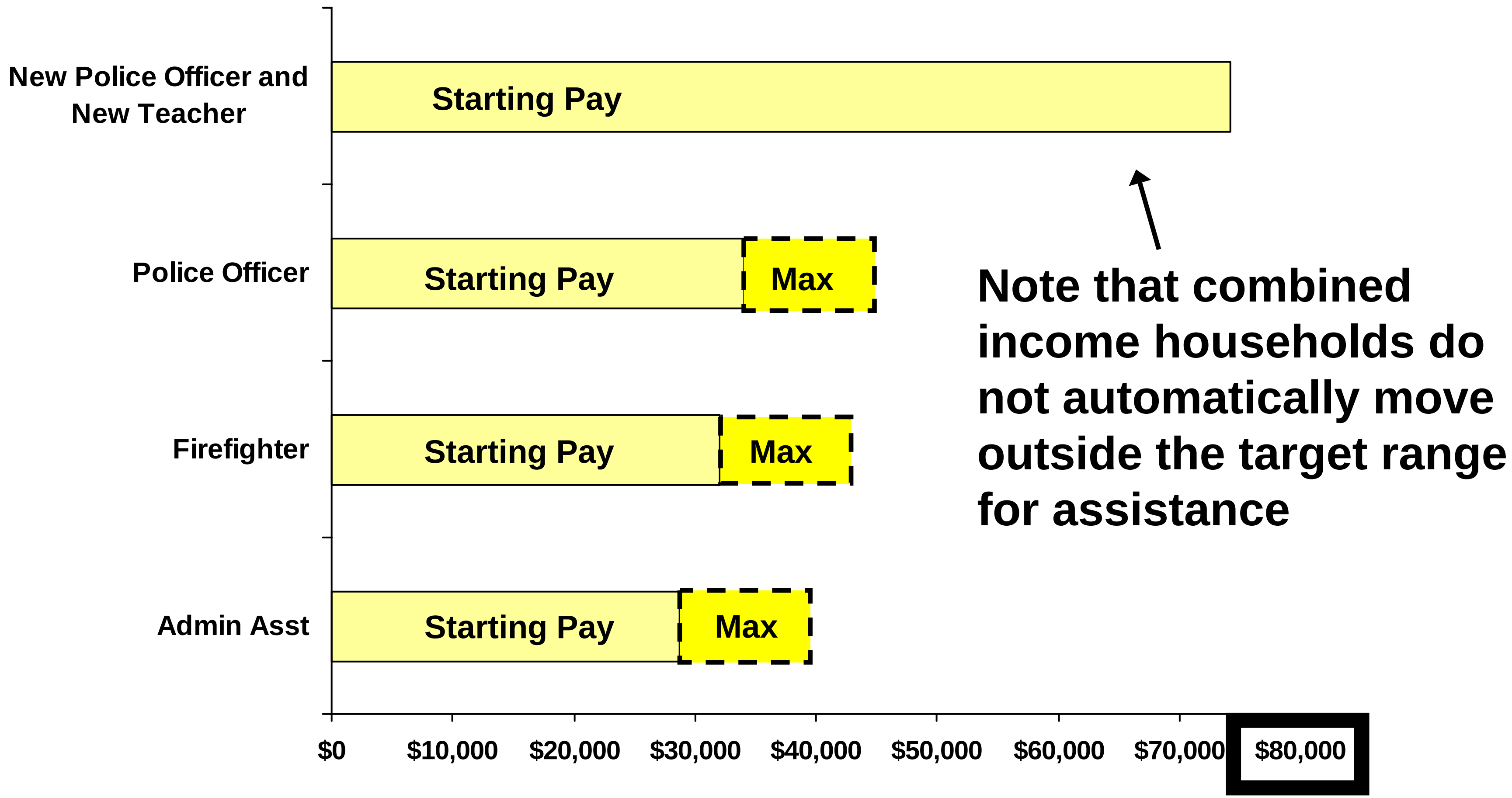
Approximately 50% of City of Atlanta working households are earning a solid income but could need assistance in order to afford housing



Source: 2000 Census

Who Are These Targeted Households? Some Quick Examples of Typical Incomes Inside the $18k - $85k Range

EXAMPLE OF TYPICAL SALARIES FOR CITY OF ATLANTA HOUSEHOLDS



Source: City of Atlanta and APS

CURRENT SITUATION

DISCUSSION OF “TOTAL NEED”

How Can We Try To Estimate “Need” For Affordable Workforce Housing In City of Atlanta?

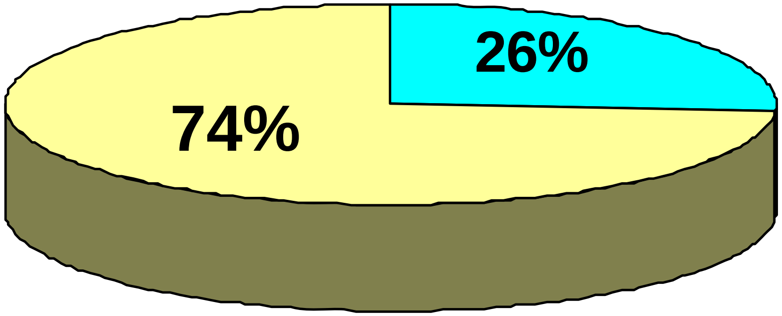
Example approaches include:

- Compare home ownership rates to center city or Southeastern region average
- Identify number of “cost-burdened” households who are renting or own a home but are at risk
- Identify number of substandard housing units
- Identify number of city employees not living in city (analysis of city households always misses workers who are living outside the city)
- Analyze number of workers at various income levels in job centers and compare to available housing units

DETAILED INFORMATION IN APPENDIX FOR THESE ITEMS

Most City employees do not live in City of Atlanta - affordable workforce housing is <u>also needed</u> for households that <u>do not</u> show up in a current analysis of City household incomes

ANALYSIS OF RESIDENCE ZIP CODE FOR CITY EMPLOYEES
100% = 8,372 City of Atlanta Employees



3/4 of City Employees Do Not Live Inside City Limits
(83% of this group earns $21k -$56k)

Note: MORE DETAILED ANALYSIS IN APPENDIX. No personal information was collected in this analysis

The $2 Billion Challenge For Affordable Workforce Housing in City of Atlanta

Estimated need for assistance for 30,000-50,000 units today in City

X

Typical average subsidies for rentals (over time) or owner-occupied (one time) are $30,000 - $50,000 per unit

=

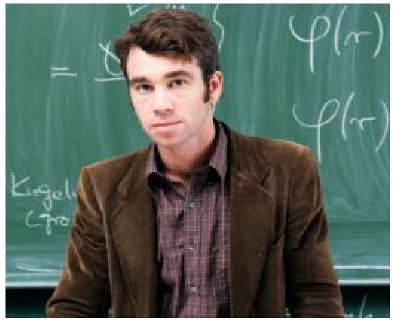
Needed range of

$1 billion - $2 billion

just to address existing needs – and we know more people are coming!

PROPOSING A NEW CITY POLICY FOR HOUSING SUBSIDIES AND INCOME LEVEL TARGETS

AFFORDABLE WORKFORCE HOUSING POLICY HAS TO INCLUDE WORKING FAMILIES WHO ARE AT "HIGH END" OF % AREA MEDIAN INCOME BUT CANNOT AFFORD TO BUY HOUSES IN MANY PARTS OF THE CITY

	New APS Teacher	Policeman, Part-Time Nurse, & 1 Child	Firefighter and Admin. Assistant
			
Total Household Income	$40,000	$65,000	$62,000
Maximum Home Price They Can Afford	$116,000	$188,500	$179,800

MOST NEW HOMES IN CITY ARE PRICED OVER $200k
MOST RESALES ARE PRICED OVER $165k

% Metro Area Median Household Income	57%	93%	88%

RATIONALE FOR PROPOSED NEW CITY AFFORDABLE WORKFORCE HOUSING INCOME TARGETS POLICY

Use Metro Area AMI

- HUD standard is to use metro area AMI not City AMI
- Avoids complexity when using multiple programs/subsidies

Use 30%-60% AMI for Rental and 60%-100% AMI for Ownership

- 60% AMI is still an aggressive point to switch over to subsidizing ownership – large subsidies needed and risk setting people up to fail if dip any lower
- 100% AMI chosen as ceiling because if you stop at 80% you exclude small 2-3 person dual income households (our firefighter married to an administrative assistant cannot afford a house but is technically over 80% AMI)

Commit certain percentages to certain AMI levels

- Addresses concern that all efforts will “float to the top tier” if we do not specify that certain percentages of the subsidized units must be affordable to the lower %AMI levels
- 20% of affordable units required at low end of range (at 30% AMI for rental and 60% AMI for ownership) is more aggressive than it sounds – will likely take 50% of the funds to achieve that goal

No required % affordable or % rental vs owner

- IZ policy recommends 10% affordable units but we recognize some situations will aim higher (e.g. TADs)
- Do not recommend a rental/ownership percentage split given that market conditions will change and vary across the city over time

AFFORDABLE WORKFORCE HOUSING IMPLEMENTATION TASK FORCE RECOMMENDS REVISED CITY FOCUS

RENTAL POLICY FOR SUBSIDIZED UNITS		
Metro AMI Range	***Rough % of $$$ Commitment***	**Required Percentages Within Total Affordable Units**
30%	*50%*	**20%**
45% or lower	*30%*	**30%**
60% or lower	*20%*	**50%**

OWNER-OCCUPIED POLICY FOR SUBSIDIZED UNITS		
Metro AMI Range	***Rough % of $$$ Commitment***	**Required Percentages Within Total Affordable Units**
60%	*50%*	**20%**
80% or lower	*30%*	**30%**
100% or lower	*20%*	**50%**

Note: City will use HUD Metro Area Median Income (AMI) as comparison standard (currently 24 county area)
Goal would be to have this same general policy apply for BeltLine Housing Trust Fund as well to encourage consistency

WHAT DOES THIS POLICY MEAN?
CURRENT AMI FOR METRO ATLANTA

PERCENTAGE OF AMI	Household Income
30%	$21,075
45%	$31,612
60%	$42,150
80%	$56,200
100%	$70,250

80% of Metro Area AMI is <u>greater than</u> 100% of City of Atlanta AMI ($50,034 for Family of 4)

Source: US Dept Housing and Urban Development 2006

WHAT DOES THIS MEAN? PRACTICAL IMPLICATIONS

- New policy applies only to subsidy programs not otherwise covered by federal law (e.g. HOME, CDBG, federal tax credits, etc.). Those programs typically only cover 30% - 80% AMI range
- Requires recipient of funds to subsidize units at all three levels within the income range for rental or ownership (the 20%/30%/50% units split shown on prior page) – cannot just float to the top of the range
- For programs where subsidies are not targeted at developments, city will monitor overall alignment with goal (e.g. mortgage assistance only applies to one unit at a time)
- City will only support a maximum of $75,000 subsidy per unit for ownership
- City will only subsidize up to FHA 203(b) price limit which is currently $252,900 for single family home although currently 2.9x 100% of AMI is already effectively capping allowed price at $203k

WHY ALLOW ASSISTANCE UP TO 100% AMI?

- **We do not believe we should exclude working households between $56k - $70k that are viable potential homeowners and in need of assistance to afford most housing in the City (the most they can afford is around $200k and with rising construction costs the stock of homes in their price range is shrinking)**
- **We do ensure that the 100% AMI income level is effectively capped using the FHA 203(b) limit and a maximum subsidy cap as well**
- **All rental assistance is focused at 60% AMI and below. Even within the ownership programs, over 70-75% of the funds will go to 80% AMI and below because "% of units" does not equal "% of dollars spent"** – 50% of the units being allowed to go as high as 100% AMI adjusted for household size does <u>not</u> translate into 50% of the funds being spent on those households. Far lower subsidies are needed per unit so the dollars go a lot farther at 100% AMI than they do at lower levels. Using typical assumptions the portion of funds spent on this group of households is likely to be <u>25% or less</u> of the ownership-focused funds.

WHY ALLOW ASSISTANCE UP TO 100% AMI?

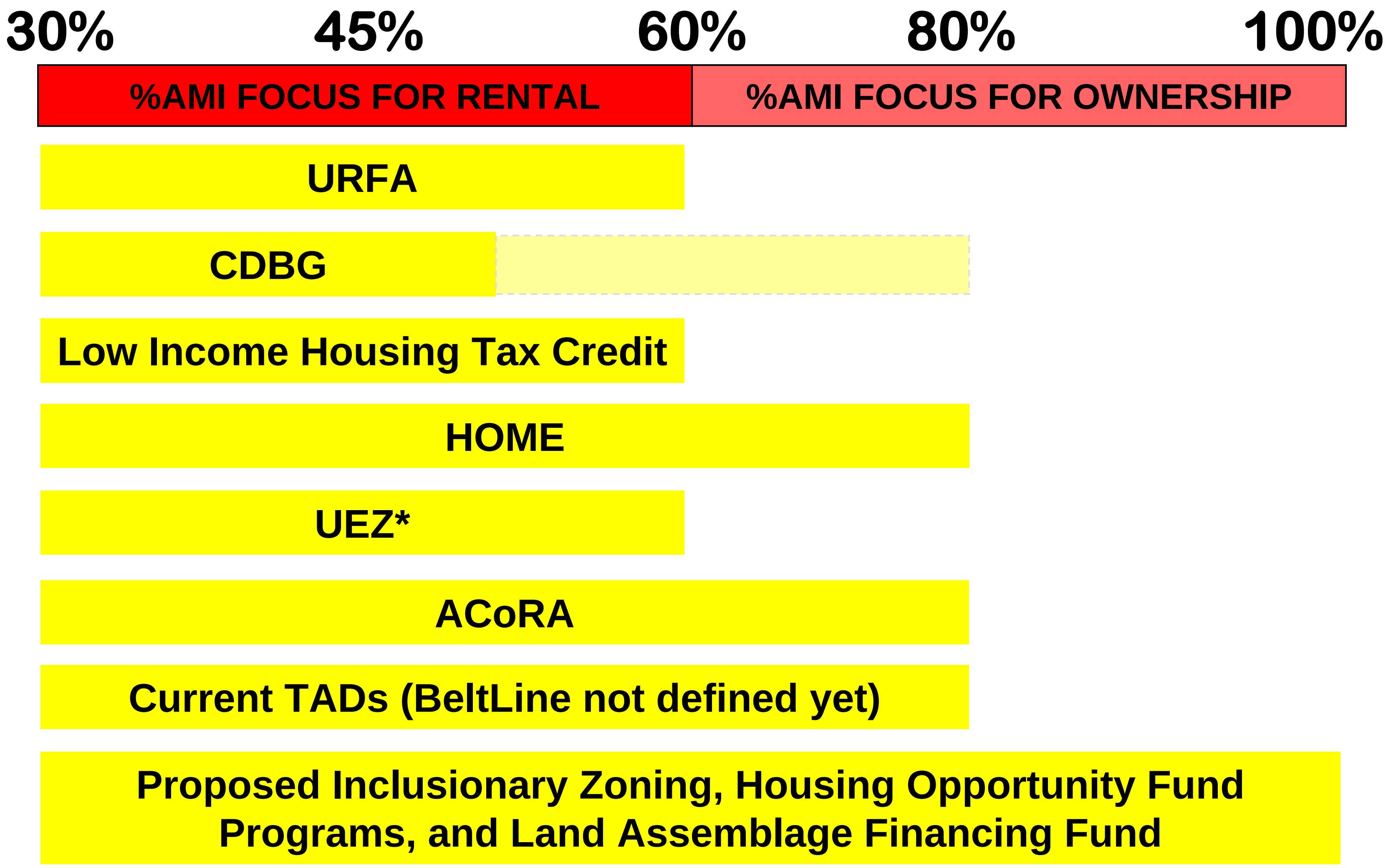
- **Many other programs across the country have recognized this issue** – There are certainly many national, state, and local programs that do not exceed 80% AMI. However, here are some example facts regarding some who have used greater flexibility to address the same issues we are raising:
  - **25% of the city, county, and state housing trust funds across the U.S. allow eligibility above 80% of AMI** (from Housing Trust Fund Progress Report)
  - **Many inclusionary zoning programs allow higher AMI percentages** (Boston allows half of the units to be up to 120% AMI, San Diego allows all ownership units to be 100% AMI or lower, Tallahassee also goes up to 100% AMI, and Denver allows up to 95% AMI for larger developments)
  - **Fulton County's recently approved voluntary inclusionary zoning allows half of the required affordable units to go up to 120% of AMI**
- **Unlike most national and local programs, our new definition specifically prevents all funds from "floating to the top" of the income range** – Our definitions ensure that people below 60% AMI for rental and below 80% AMI for ownership do get some housing guaranteed to be targeted to their income levels.

WHAT DOES THIS POLICY MEAN? EXAMPLE "WORST-CASE" SUBSIDIES NEEDED AT VARIOUS INCOME LEVELS

	ANNUAL OR ONE-TIME SUBSIDIES NEEDED	
Percentage of AMI	**Subsidy Needed**	**COMMENTS**
30%	**$7,584**	**ANNUAL SUBSIDY REQUIRED FOR $1,100 PER MONTH 2BR APT** (This is **"worst-case"** based on average Class A rent in City, obviously some apts could be lower)
50%	**$3,312**	
60%	**$1,584**	
60%	**$101,112**	**ONE-TIME SUBSIDY REQUIRED FOR $225,000 HOME** (typical cost of new construction in most of City, some resale units could definitely be lower priced, but again this shows **"worst-case"** view)
80%	**$59,845**	
100%	**$18,520**	
115%	**NONE**	

Source: See Detailed Calculations in Appendix

NEW POLICY APPROACH WOULD MOSTLY AFFECT NEW PROGRAMS INSTEAD OF ALTERING EXISTING EFFORTS



NOTES: Proposed programs will also include assistance to mixed income projects that could include some units above 100% AMI within the overall development. *UEZ range is expected to be changed in 2006 to align with new City approach.

INITIATIVE UPDATES

INCLUSIONARY ZONING

Inclusionary Zoning Ordinance Proposal Based On Extensive Research Across U.S.

- Have completed best practice research analyzing other ordinances all across the country (highlights in appendix)
- Have drafted initial proposals for economic reality testing (using real developments from all across the City) and legal testing
  - Economic analysis – Task Force, Bleakly Advisory Group
  - Legal analysis - City Attorney, Arnall Golden Gregory
- Completed economic modeling analysis to find balancing point that achieves our policy goals while not stifling development
- Proposal shown on following pages is a **DRAFT**
- Current plan is to introduce voluntary IZ ordinance based on issues cited on next page even though mandatory would be preferred

INCLUSIONARY ZONING ISSUES LEAD TO VOLUNTARY IZ ORDINANCE PROPOSAL FOR CITY

Economic Issues

- Have analyzed real City sample developments of all types and prices to evaluate impact. Current approach avoids heavy impact on any one party – expect to see some impact on land prices, some on developer profits, and some on unit pricing.
- Use of density bonus covers most costs. Tax abatements would help also although we recognize these are not a given to be passed.
- If unit prices start above $350k then math gets more unattractive – this is why we need to offer option of in-lieu fee above that price level for mandatory IZ to work

Legal Issues

- Concern about whether IZ in general is an exaction with system improvement benefits (not allowable) instead of a project-level improvement/exaction that is still allowable under the Development Impact Fee Act (DIFA)
- Concern about whether the option of paying an in-lieu fee is considered a version of a system benefit impact fee that is not allowable under DIFA given that providing affordable housing is not an allowed expense on the DIFA list of purposes allowed for impact fee expenditures.
- Concern about whether any other offsite option would be treated in the same way as the in-lieu fee concern (a system improvement exaction outside the bounds of the DIFA list).
- Concern about whether the city can benefit from the initial project improvement exaction by requiring a soft second mortgage be placed on the units sold at below market prices that later allows the city to collect the gap amount between the original market price and the required affordable price when the unit is resold by the first owner at a market price.

DRAFT VOLUNTARY INCLUSIONARY ZONING ORDINANCE

Basic Requirements

- **Applies to all developments over 10 units**
- **10% of units must be affordable (would create at most about <u>300 units per year</u> based on past 6 yrs of permit data) to target groups of 30%-60% metro AMI for rental and 60%-100% metro AMI for ownership**
- **If owner-occupied, minimum 20% affordable to 60% AMI and 30% affordable to 80% AMI or lower**
- **If rental, minimum 20% affordable to 30% AMI and 30% affordable to 45% AMI or lower**

Developer Incentives

- **Density Bonus – 20 % density bonus in number of units proposed, with a 10% affordability requirement applying to all units within the development – prefer Council legislation to approve this <u>automatically</u> for qualifying developments**
- **25% reduction in permitting fees for participating projects (for all units, not just affordable units)**
- **Developer has access to apply for Housing Opportunity Fund and other assistance programs**

Development Standards

- **Randomly dispersed, same quality as market rate units, with unit size mix comparable to mix of overall development with comparable square footage sizes at each level.**
- **Condo/HOA fees prorated to match % reduction in price where possible/relevant**

Long-Term Affordability

- **All affordable rental units to be rented only to qualifying applicants with correct AMI levels**
- **All owner-occupied units include rider in closing contracts that stipulate restrictions for first owner for first 30 years as follows:**
  - **City has right of first refusal for repurchase at market price**
  - **At initial sale amount of gap (market vs. affordable price) is included as 0% interest soft second mortgage on property. At subsequent sale City receives repayment for soft second mortgage**
  - **Owner is allowed to recoup selling costs and documented capital improvements beyond that amount**
  - **Any profit after these two items is shared between City and owner using sliding scale based on how long owner has owned the property**

INITIATIVE UPDATES

LAND ASSEMBLAGE FINANCING / LAND BANK AUTHORITY

LAND ASSEMBLAGE FINANCING FUND UPDATE

How It Works

- Enterprise Community Partners ("Enterprise") has already been successful in setting up similar programs in Seattle and New York City
- Enterprise would set up a significant financing fund (via credit from financial institutions) to provide loans at approximately 6% rate for 1-2 year terms
- Developers seeking to build affordable workforce housing would apply for loans – unlike traditional loans, these loans would allow up to 120% LTV including rolling in the interest and supporting engineering/other fees to help developer get to finish line for project financing
- City, ACoRA and private foundations would provide some level of $$ credit guarantee to share risk with Enterprise. Enterprise would not be earning a profit on the loans (spread vs. cost of capital purely covering administrative costs) so no real cushion for risk

Next Steps

- Enterprise ready to begin firm discussions with banks (for capital) and foundations (for additional credit guarantees). City has provided commitment letter to provide at least $5 million in credit guarantee funds. ACoRA has provided financial commitment of $9 million in credit guarantee funds.
- City can only promise that it plans to use Housing Opportunity Funds to deliver that guarantee if Council approves the Housing Opportunity Fund – Enterprise has indicated that is fine and City has provided this letter to Enterprise.
- City will not actually be providing a credit guarantee as that is not allowable use of Oppty Fund dollars – however, City would invest $5 million into the fund with a first loss position provision which would achieve same goal for Enterprise
- Also still need to finalize definitions of affordable housing for this program – may differ for investments where City participates vs. other foundations/ACoRA

LAND BANK AUTHORITY UPDATE

Situation

- Usefulness of LBA has declined in many ways given new market context – speculators buy up tax liens before they are erased, and value of land has increased to the point where tax liens are not the barrier to cleaning up land anyway in many cases
- LBA is not necessary for Land Assemblage Financing Fund – but it would be of value if we could bank land using the LBA to reduce carrying costs and assist with any title issues
- Recent LBA Board policy has been to generally oppose most long-term banking of land (outside of city or county-owned parcels that were transferred to LBA)

Next Steps

- Task Force has prepared request for Mayor to approve and communicate to LBA Board requesting that they approve banking of land that the owners agree to use for affordable workforce housing within targeted areas of the City (6 Economic Development Plan focus areas, TADs, CDIAs and ACoRA area). Full proposal is in appendix of this document.
- LBA staff has been working on similar language as well so hope is that approval of this policy will move forward smoothly
- First priority is resolving Fulton appointee appointee situation so that Board can meet to consider our policy recommendation (have not met since October 2005 except for one meeting in summer 2006, and as of July 2006 fourth member still was not named so no votes can be taken)

INITIATIVE UPDATES

HOUSING OPPORTUNITY FUND

HOUSING OPPORTUNITY FUND OVERVIEW

- Programs have been developed for a potential Housing Opportunity Fund that would address a wide range of affordable workforce housing needs across the income levels outlined in our policy
- Staffing and organizational structure have been developed for implementation – City Housing Bureau would provide oversight but this effort would have its own staff organized around the key programs
- BeltLine TAD bonds will create a separate fund of ~$250 million over time – goal was to develop programs and structure that could easily be used to address use of those funds as well in most cases (avoid duplicative staff where possible). Some programs may not overlap due to different restrictions on use of TAD bond funds.
- Housing Opportunity Fund would be a “revolving fund” – when loans are repaid the funds are used to create new subsidies again
- Developments assisted by the Fund would have to follow new City policy on affordable unit income targets and targeting within that range. Affordable Units would have to be of similar quality and size as market-price units and be represented proportionally with same mix of bedroom sizes as market-rate units

HOUSING OPPORTUNITY FUND PROGRAMS SUMMARY

CATEGORY	ALLOCATION
HOUSING DEVELOPMENT LOAN/GRANT PROGRAM	
• Rental Production (<u>including</u> rehab assistance)	$25,000,000
• Single Family Production (<u>including</u> rehab assistance)	$10,000,000
• Community Housing Development Organization Set Aside (10%)	$7,500,000
DIRECT LAND ACQUISITION TO ENCOURAGE REDEVELOPMENT WITH AFFORDABLE HOUSING COMPONENT (non-TAD areas)	$5,000,000
MORTGAGE ASSISTANCE PROGRAM	$10,000,000
LAND ASSEMBLAGE FINANCING FUND INVESTMENT	$5,000,000
ATLANTA HOUSING AUTHORITY SET ASIDE (HOPE VI)	$7,500,000
ADMIN./LEGAL COSTS (over 5 years of startup before recycling of funds begins)	$5,000,000
TOTAL FUND AMOUNT	**$75,000,000**

Separate funds for land acquisition in support of future rental or single family products may also be allocated from within the rental or single family pools of funds. Note that these funds could be layered with other programs if appropriate.

Agency Coordination For Implementation of Fund

AHA
- Creates the new Nonprofit Organization

City of Atlanta
- Responsible for the bond debt service repayment
- Monitors and provides administrative oversight to the nonprofit org. via IGA including monitoring of URFA as the contractor for new nonprofit

Newly Created Nonprofit Housing Organization
- Operates and administers the specified programs via IGA with City
- Contracts with URFA to manage the program using URFA staff
- Repays bond payments to URFA via funds from City

URFA
- Issues Bonds
- Loans proceeds to new nonprofit
- Contracts with nonprofit to manage the fund programs using URFA staff funded via bond proceeds

NEXT STEPS

Long-Term View Must Include Legislative Focus

- Short-term focus is implementation of the major initiatives outlined in this report (inclusionary zoning, housing opportunity fund, land assemblage financing fund, and policy changes at Land Bank Authority)
- Multiple barriers to an effective affordable workforce housing policy exist at the state legislative level
  - DIFA appears to create major issues for creation of mandatory inclusionary zoning in GA
  - DIFA does not allow impact fees for funding affordable housing subsidy programs
  - Real estate transfer tax increase (local option approach to fund local housing trust fund) requires statewide referendum
- Establishment of the recommended programs in City of Atlanta should allow modeling of how these approaches can work well, leading to more effective push for more local tool options
- City must continue to coordinate efforts among overall City Housing and BeltLine initiatives – both will have trust funds with similar goals

APPENDIX

Summary of Priority Efforts and Potential Impact

Priority Projects	Potential Impact
Inclusionary zoning	**~300 units annual impact** if fully utilized
Housing Opportunity Fund and BeltLine Housing Trust Fund	$75 million Housing Opportunity Fund + $250 million BeltLine Housing Trust Fund = **~6,000-11,000 units total impact**
Land Assemblage Program / Land Bank Authority	Approximately 900 units in first five years

Note: IZ impact based on analysis of past 5 years building permits. Trust Fund impacts estimated assuming avg. subsidy of $30k-$50k per unit

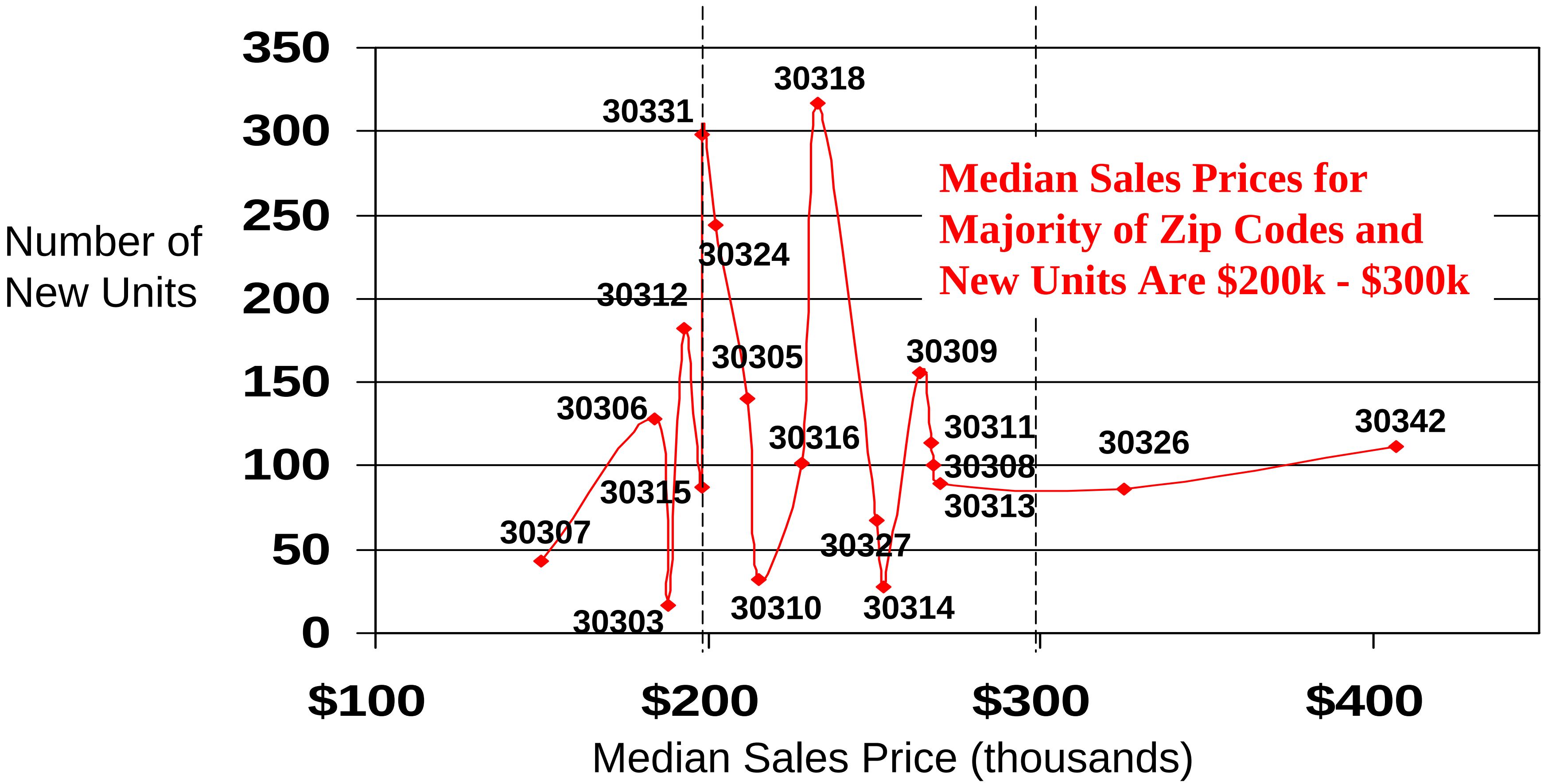
CURRENT SITUATION

OVERVIEW OF CURRENT HOUSING COSTS VS. CITY HOUSEHOLD INCOME LEVELS

In 2004 New Housing Units For Ownership Were Mostly Priced Over $200,000 Across Zip Codes

MEDIAN SALES PRICE AND NUMBER OF NEW UNITS BY CITY OF ATLANTA ZIP CODE

Each dot represents a zip code (median price, total new units sold)

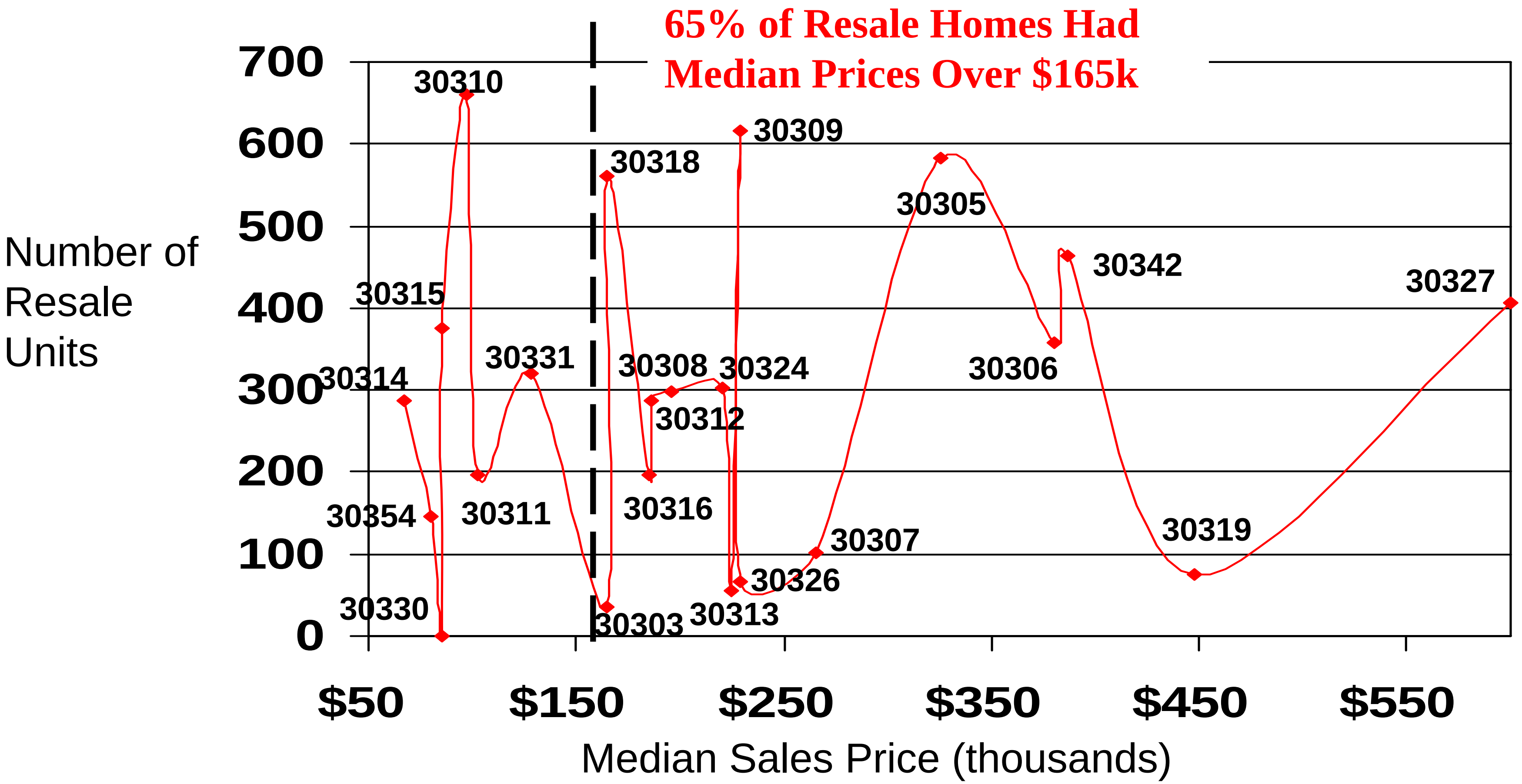


Source: 2004 home sales data. Note some zips include sales outside of city limits. One zip code with 13 homes (median over $800k) excluded from chart

In 2004 Resale Housing Units For Ownership Were Available Below $200k In Southern Zip Codes But Still Mostly Above $165k For Most of City

MEDIAN SALES PRICE AND NUMBER OF RESALE UNITS BY CITY OF ATLANTA ZIP CODE

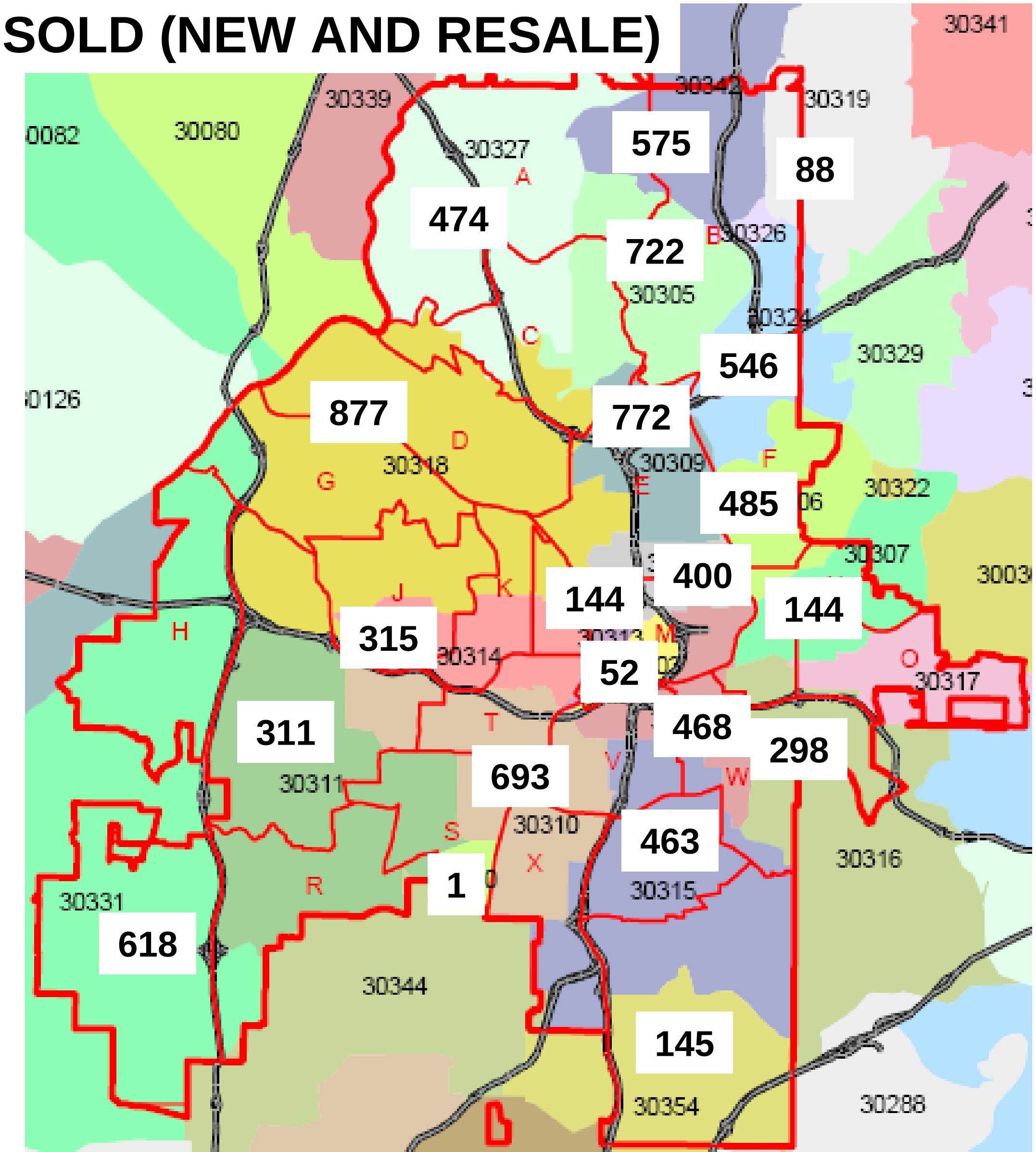
Each dot represents a zip code (median price, total new units sold)



Source: 2004 home sales data. Note some zips include sales outside of city limits.

Initial View of All Units Indicates Wide Range of Ownership Availability Across The City

2004 TOTAL UNITS SOLD (NEW AND RESALE)

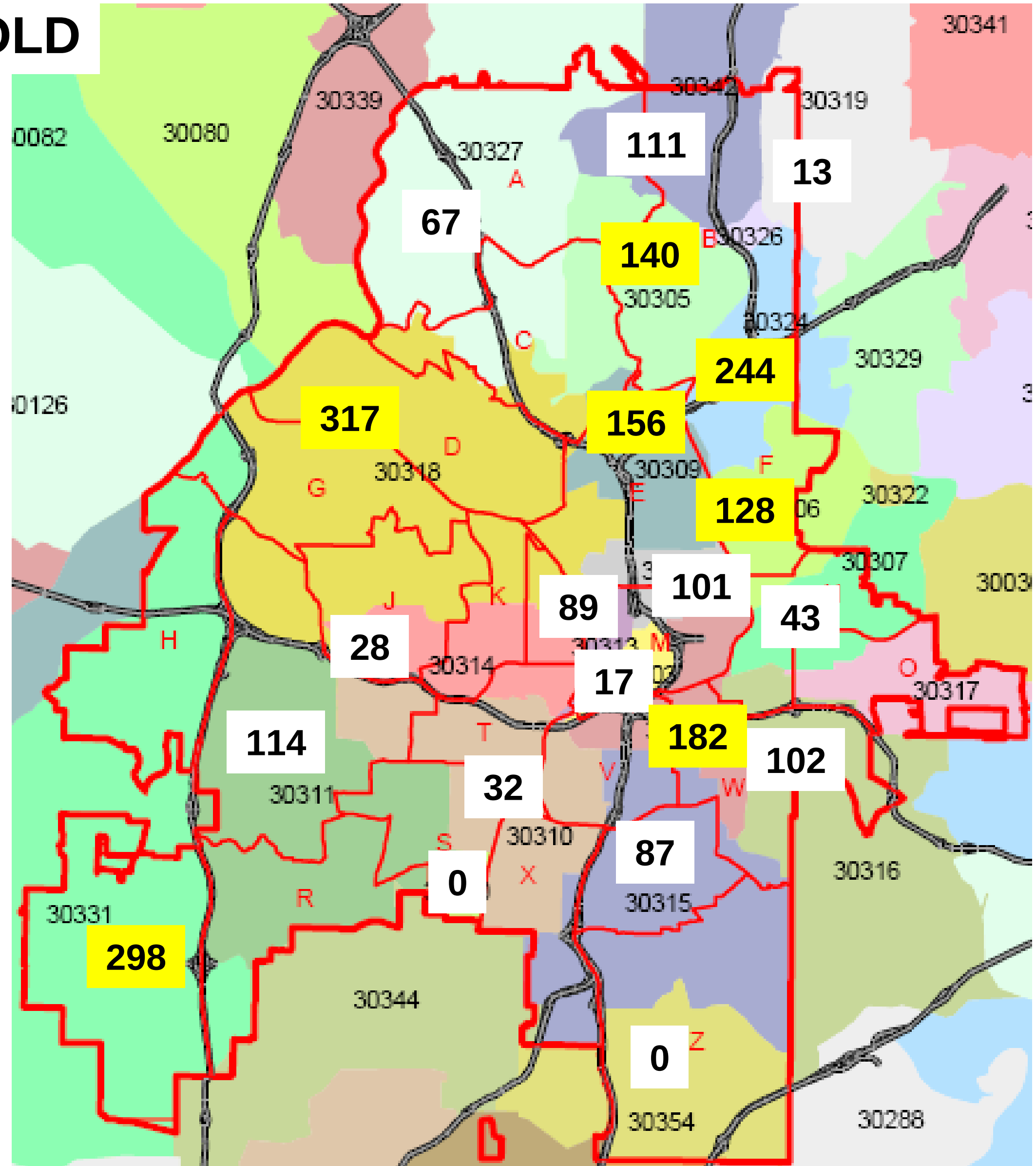


Note: 30330 and 30317 excluded due to lack of data in either 2000 or 2004 sales data

However, New Housing Stock Is Not Being Created Equally Across All Parts of City

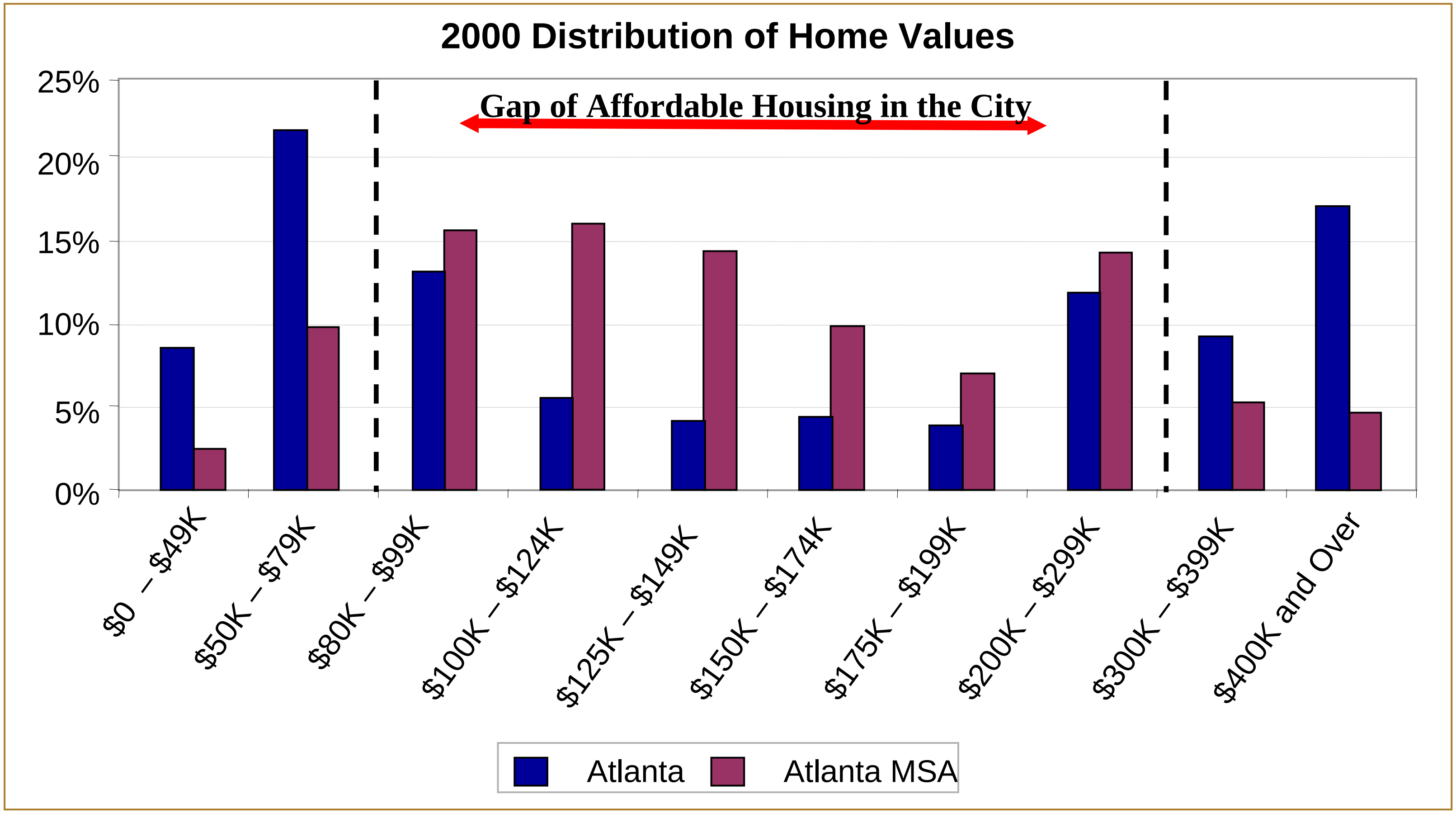
2004 NEW UNITS SOLD

Yellow highlights zip codes >125 new owner-occupied units sold



City of Atlanta Has Fewer Options for Lower Income Households Than Metro Region When It Comes to Home Ownership

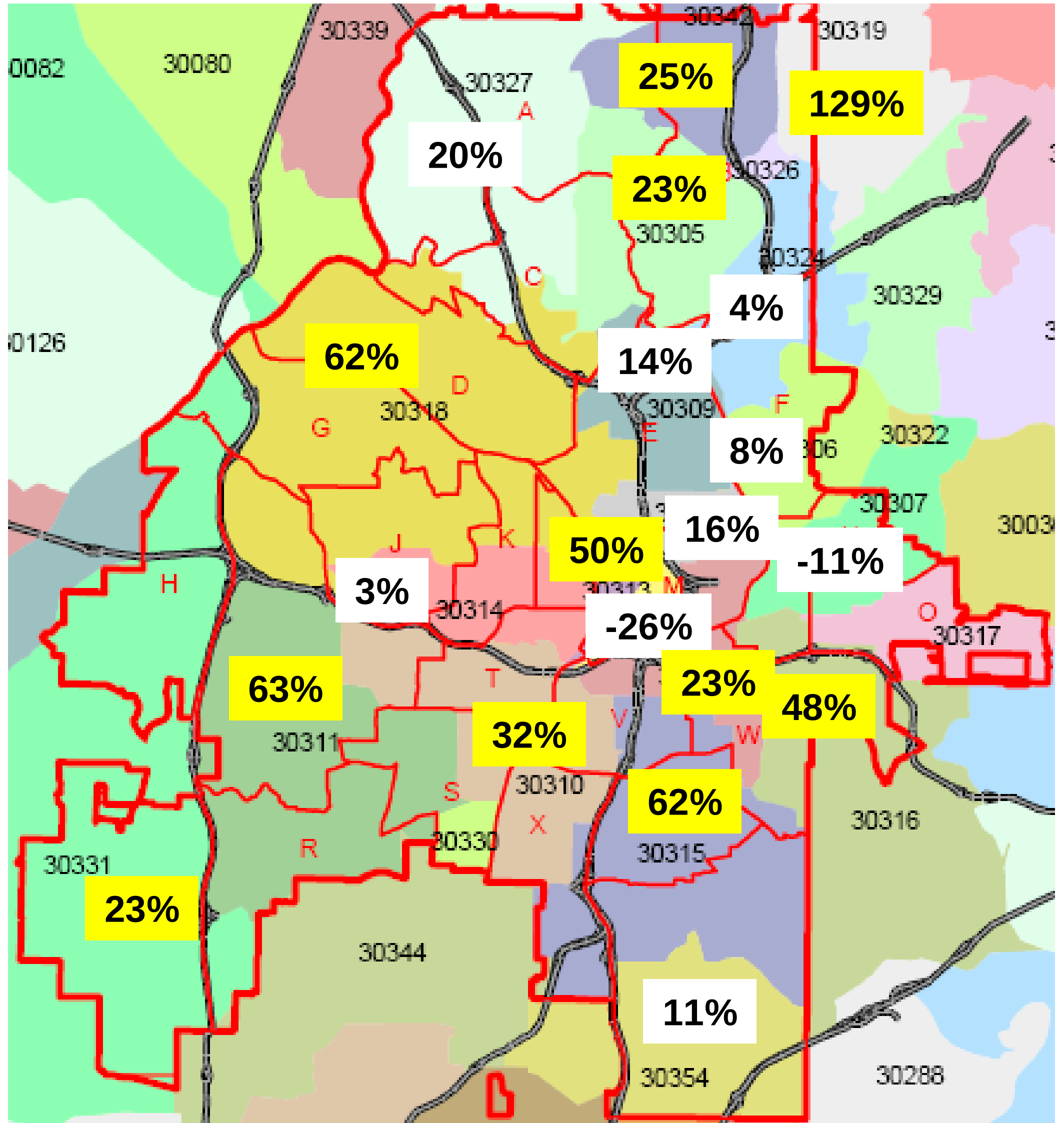
*The city offers significantly less workforce housing for low-to-mid income households than the metro area. In the City, only **57%** of homes are valued between $60K and $250K, versus **81%** for the rest of the metro area.*



Housing Prices Have Been Rising Dramatically In Many City Zip Codes Since 2000

TOTAL PERCENT INCREASE IN MEDIAN SALE PRICE, 2000-2004

Yellow highlights zip codes > 4% annual increase (same as >21% total)



Note: 30330 and 30317 excluded due to lack of data in either 2000 or 2004 sales data

Income Needed For Quality Rental Housing in City of Atlanta Is At Least $32k - $48k Using HUD 30% Guidelines

Rental Price Per Month	City Relevance for Price	Total Estimated Monthly Housing Costs	Annual Household Earnings Needed
$700	Slightly below median rent for City and near HUD fair market rent for efficiency/1BR apt.	$800	**$32,000**
$800	Just below HUD fair market rent for 2BR	$900	**$36,000**
$1,000	Just below HUD fair market rent for 3BR	$1,100	**$44,000**
$1,100	Average rent for class A 2BR apt	$1,200	**$48,000**

Note: HUD standard is no more than 30% of household income should be spent on total housing costs. Housing costs include rent or mortgage payment, insurance, taxes, and utilities

Income Needed For Ownership in City of Atlanta Is At Least $50k - $85k or More

Home Price	City Relevance for Price	Total Estimated Monthly Housing Costs	Annual Household Earnings Needed
$150,000	Approximate median value of home in City today	$1324	**$52,962**
$200,000	Approximate low end of median prices for new units in most City zip codes	$1725	**$68,995**
$250,000	Approximate average new home price in City	$2126	**$85,027**

Note: HUD standard is no more than 30% of household income should be spent on total housing costs. Housing costs include rent or mortgage payment, insurance, taxes, and utilities

PROPOSING A NEW CITY POLICY FOR HOUSING SUBSIDIES AND INCOME LEVEL TARGETS

Typical Results Even At High Prices Will Spend Most Funds At Lower AMI Levels

TRANSLATING PERCENTAGE OF UNITS INTO PERCENTAGE OF FUNDS SPENT ON SUBSIDY

INPUT ASSUMPTIONS			
Household Size		4	
Rent	$	1,100	do not change here - based on rent reference table at bottom of sheet tied to HH size input
Home Price	$	225,000	user allowed to enter whatever value you want to use here
Total Units		100	easiest to keep at 100 to ensure even numbers of units for math

% AMI	HH Income	INPUT % Units	Actual # Units	Rent They Can Afford	30 yr Subsidy Per Unit	Total Cost	VIEW RESULT Percentage of Overall Funds Spent
30%	$ 21,350.00	20%	20	$ 434	$ 239,850	$ 4,797,000	**42%**
45%	$ 32,040.00	30%	30	$ 701	$ 143,640	$ 4,309,200	**38%**
60%	$ 42,720.00	50%	50	$ 968	$ 47,520	$ 2,376,000	**21%**

% AMI	HH Income	% Units	Actual # Units	Home Price They Can Afford	Subsidy Per Unit	Total Cost	Percentage of Overall Funds Spent
60%	$ 42,720.00	20%	20	$ 123,888	$ 75,000	$ 1,500,000	**36%**
80%	$ 56,950.00	30%	30	$ 165,155	$ 59,845	$ 1,795,350	**43%**
100%	$ 71,200.00	50%	50	$ 206,480	$ 18,520	$ 926,000	**22%**
115%	$ 81,850.00	0%	0	$ 237,365	$ (12,365)	$ -	**0%**

- Only **21%** of rental funds spent at top end of 60% AMI for rental
- Only 22% of ownership funds spent at top end of 100% AMI for ownership
- Most policies would allow all subsidies to "float to the top of the range" instead, <u>our policy forces most money to be spent at the bottom and middle of the range</u>
- Money spent at 100% AMI in this example creates <u>50</u> affordable units – the same funds spent at 80% AMI would have only created <u>15</u> units

For Rental Housing, Potential Worst Case Subsidies Are Not Significant Above 60% AMI – But Remember This is An Annual Subsidy

RENTAL FAMILY OF FOUR EXAMPLE

% of AMI	Income Level	Monthly Income Available For Housing	Theoretical Affordable Rent (subtract $100 for utilities)	Actual Avg Rent for 2BR (worst case, Class A)	Per Unit Monthly Subsidy Required	Annual Cost of Subsidy
30%	$21,356	$534	$434	$1,100	**$666**	**$7,584**
50%	$35,600	$890	$790	$1,100	**$310**	**$3,312**
60%	$42,720	$1,068	$968	$1,100	**$132**	**$1,584**
80%	$56,950	$1,423	$1,323	$1,100	**NONE**	**NONE**

- Monthly Income Available based on HUD standard 30% of gross income
- Bleakly Advisory Group estimate for 2BR rent Class A rent in City of Atlanta

For Owner-Occupied Housing, Reaching Down To Even 60% AMI Requires Significant Subsidy (Worst-Case)

OWNER-OCCUPIED FAMILY OF FOUR EXAMPLE

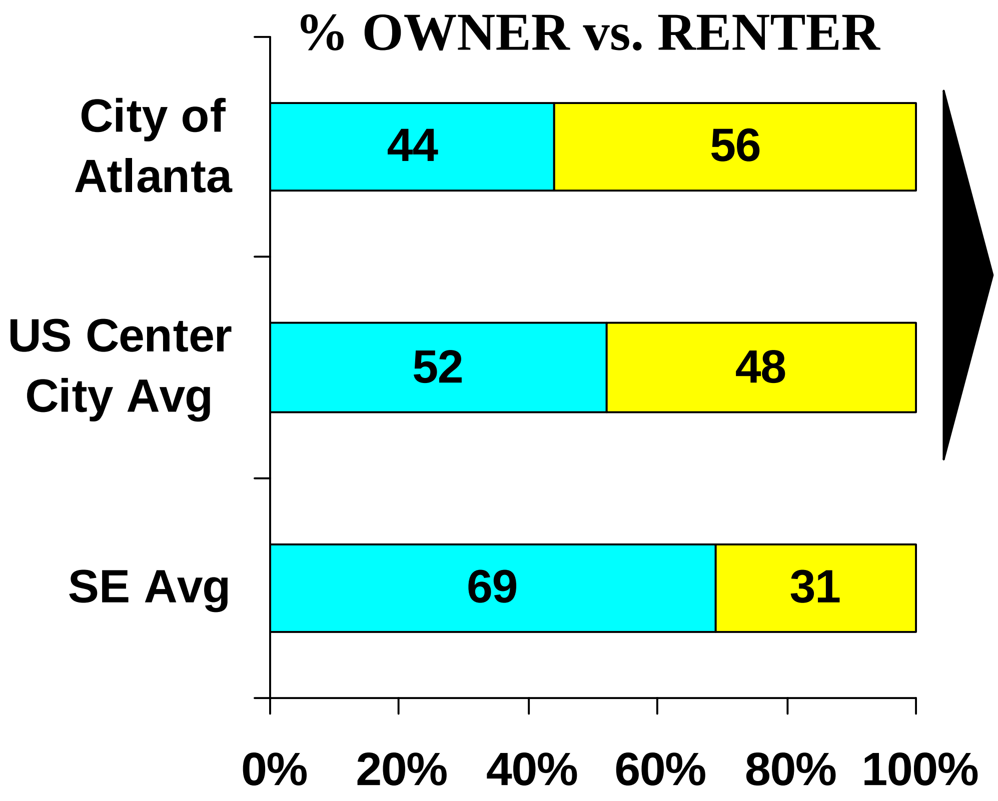
% of AMI	Income Level	Monthly Income Available For Housing	Theoretical Affordable Home Price (2.9x income)	Actual Price of New 3BR Home in City (worst case, resales can be lower)	Per Unit Subsidy Required Using Theoretical Home Price
30%	$21,356	$534	$61,932	$225,000	**$163,068**
50%	$35,600	$890	$103,240	$225,000	**$121,760**
60%	$42,720	$1,068	$123,888	$225,000	**$101,112**
80%	$56,950	$1,423	$165,155	$225,000	**$59,845**
100%	$71,200	$1,780	$206,480	$225,000	**$18,520**
115%	$81,850	$2,046	$237,365	$225,000	**NONE**

- Monthly Income Available based on HUD standard 30% of gross income
- Theoretical affordable home price based on HUD standard of 2.9x gross income
- Actual price of City new 3BR home based on 1500 sf home at $150/sf total cost including land

CURRENT SITUATION

DISCUSSION OF “TOTAL NEED”

Increasing Ownership Percentage Would Indicate Need For Over 16,000 Owner-Occupied New Units



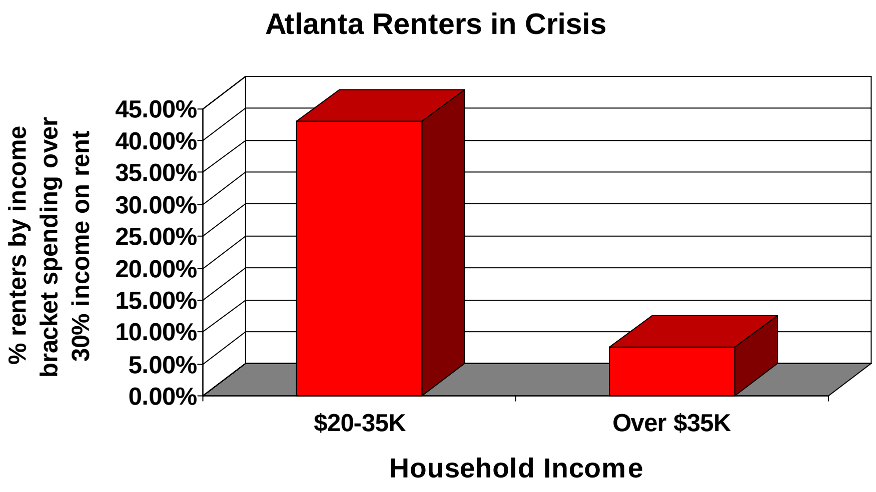
8% improvement to reach US Center City Average would equal approximately 16,138 owner-occupied units improvement needed

Source: 2000 U.S. Census. 2004 Total City Units = 201,730 used for improvement math.

Analysis of “Cost Burdened” Renters Indicate Assistance Need For 15,000 - 29,000 Renters

- 2004 analysis by National Low Income Housing Coalition indicated over **15,000** households earning 30%-50% AMI could not afford average fair market rents of $769-$1,295 (range based on size of apartment, ability to afford based on 30% of income rule)

- 2000 Census Data indicated **29,000** renters were paying over 30% of their gross income on rent and earning over $35,000 (50% AMI).



Analysis of “Cost Burdened” Owners Indicate Assistance Need for 12,000 - 22,000 City Homeowners

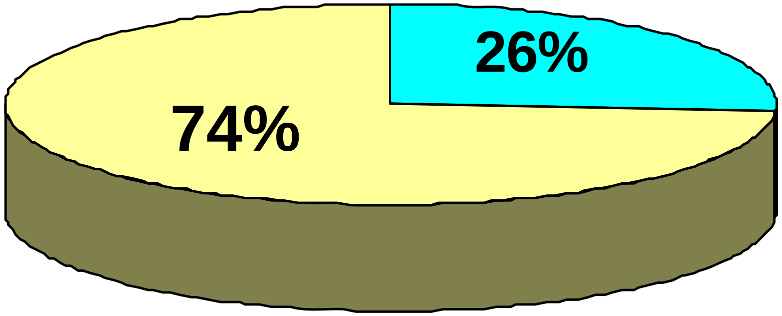
- 2000 US Census Data indicates **25%** of owners are spending over 30% of their income on housing
- This translates to over **22,000** owners “overburdened/in crisis” in the City of Atlanta
- Virtually all (98%) of these owners earn less than $50,000 annually which is roughly 80% AMI or less
- Different Georgia Tech 2003 Analysis cited in City Housing CDP indicated **12,000** owners “cost burdened” and all under 80% AMI

Existence of 2,400 Substandard Units Indicates Need For Assistance As Well

- 2000 Census Data indicated following number of units lacking a complete kitchen and/or bathroom
  - **500** owner-occupied units
  - **1,900** rental units

Most City employees do not live in City of Atlanta - affordable workforce housing is <u>also needed</u> for households that <u>do not</u> show up in a current analysis of City household incomes

ANALYSIS OF RESIDENCE ZIP CODE FOR CITY EMPLOYEES
100% = 8,372 City of Atlanta Employees



3/4 of City Employees Do Not Live Inside City Limits
(83% of this group earns $21k -$56k)

Note: MORE DETAILED ANALYSIS IN APPENDIX. No personal information was collected in this analysis

ANDP Analysis of Job Center Employment By Income Level Vs. Housing Units Indicated ~50,000 Unit Need Within Our Target Range

- ANDP commissioned study in conjunction with Georgia Tech's City and Regional Planning Program in 2003 as part of their Mixed Income Communities Initiative

- Study team focused on estimating total need for workforce housing units by comparing workforce levels (how many people work in a job center at each income level) to available housing units that the workers could afford

- The study found a large gap in the City of Atlanta – when you narrow the focus to only the 30% - 100% AMI range that we are targeting, the gap is **50,175 units**

Source: ANDP

Summary Of Analysis Indicates Potential Need For As Many As 30,000-50,000 New Affordable Units In City

- Assessing total need is not a precise exercise and is a moving target as the City grows

- Review of prior pages combined with expected significant growth of city population and workforce would tend to indicate minimum need of 15,000-25,000 new affordable owner-occupied units and 15,000-25,000 new affordable rental units for workforce housing

- This 30,000-50,000 unit gap is similar to other cities (e.g. Dallas estimated 30,000 unit gap when they set their goals)

The $2 Billion Challenge For Affordable Workforce Housing in City of Atlanta – Source Of Analysis

Estimated need for assistance for 30,000-50,000 units today in City

- Current ownership percentage gap relative ot other US center cities = ~16k units
- 15k-26k renters paying more than 30% of income on rent – 2004 National Low Income Housing Coaliton analysis and 2000 Census analysis
- 22k owners paying more than 30% of income on ownership costs – 2000 Census
- Ga Tech 2003 analysis indicated 12k owners paying over 30% of income on ownership
- MICI study comparing jobs, incomes, and available housing units at various price levels found 50k unit gap for incomes 30% AMI – 100% AMI (includes all unit types)

X

Typical average subsidies for rentals (over time) or owner-occupied (one time) are $30,000 - $50,000 per unit

- Rental subsidies required range from $1k - $9k per year for worst case rental of $1100 per month – more likely range is less than that. However, 30 year cost of that subsidy easily approaches 30k-50k total in net present value
- Ownership subsidies for $30k - $120k depending on income level for a $225k house price. Many houses may be lower in price and therefore subsidy of $30k-$50k more likely on average
- Typical experience cited by ANDP, City Housing, etc. all indicate this is a good conservative range for an estimate

INITIATIVE UPDATES

INCLUSIONARY ZONING

Overall Maximum Potential City Impact of Proposed IZ Ordinance Likely ~300 Units Per Year

SUMMARY OF 2000-2005 RESIDENTIAL DEVELOPMENT IN PROJECTS > TEN UNITS

Category	# developments over 10 units	Total # units	Avg Size	10% aff.	Comments
Single Family	21	1,337	64	134	Avg size misleading, only four over 50 units
Multifamily	90	8,815	98	882	
Res Condo	45	3,022	67	302	
Townhome	7	945	135	95	
Commercial/Residential	47	4,060	86	406	
TOTALS	**210**	**18,179**	**87**	**1,818**	
Affordable Workforce Housing Units Created Per Year				**303**	

Annual impact estimated to be ~300 units based on past six years of permit data

Note: Analysis assumes all units produced were not already affordable – we are aware that some units actually may have already been available at affordable market prices

Affordable Workforce Housing Implementation Task Force

Inclusionary Zoning Research

Why Inclusionary Zoning?

- Ensure affordable workforce housing units developed across entire city – IZ ordinance touches all developments regardless of location to create mixed income environment automatically in each new development

- Shares some costs with real estate community – despite incentives, some of the cost of developing the units must be factored into the land acquisition costs

- Follows the market forces of growth – units created where growth is happening and created by wide range of developers consistent with rest of development (not just city creating “special units”)

Who Pays For Inclusionary Zoning?

- Over time the costs should be absorbed into the cost of land as markets adjust to this being part of a deal’s financial considerations

- Costs to landowners are partly or completely reduced via incentives (density bonuses, fee waivers, etc.)

- Landowners wishing to develop the property may absorb some of the costs as part of doing business in the desirable market or may also include some of the costs in prices of more expensive units in the same or other developments

How Do Inclusionary Zoning Laws Avoid Court Challenge Regarding “Takings”?

- Some attack IZ ordinances as unconstitutional taking of private property without just compensation
- In order to survive “takings” challenge, an IZ ordinance must:
  - Substantially advance a legitimate state interest
  - Not prevent all economically viable use of the land
- First part is relatively easy to prove, but second part depends on use of developer incentives such as density bonuses, etc. to show that developer is not being economically prevented from fully developing their project

Key Inclusionary Zoning Issues

- **Mandatory or Voluntary** – most studies indicate voluntary programs produce almost no affordable units, and Atlanta's density bonus program so far is proving that point
- **Threshold for being covered by IZ ordinance** – typically minimum 10-30 units, although some jurisdictions require all to comply and just allow smaller developments to "buy out" with fees in-lieu of construction
- **Required percentage of affordable units** – typically 10% - 25% of units for most IZ ordinances
- **Target for the affordable units** – typically 50%-100% or even 120% AMI for owner-occupied units, usually 60% AMI or less for rentals
- **Developer Compensation Options**
  - Density bonuses are very common incentive, although it is not clear if this is going to be a significant carrot for most Atlanta developments
  - Unit size reduction (but still with minimum sizes) is sometimes allowed for the affordable units to help developer reduce costs, but this is an important policy decision since it can create obvious disparities in quality of housing within the development
  - Relaxed parking space requirements (with limits) are appealing in some jurisdictions and have been used – effective in Atlanta?
  - Design flexibility (reduced setbacks, reduced minimum lot sizes, etc.) are sometimes used
  - Fee waivers or reductions are common and Atlanta already has impact fee waiver for affordable units
  - Fee deferrals allow developer to avoid carrying costs on funds by paying fees such as permit fees upon receipt of certificate of occupancy instead of upfront
  - Fast track permitting is another approach that reduces carrying costs

Key Inclusionary Zoning Issues

- **Developer Alternatives To Producing Affordable Units On-Site**
  - **On-site vs. Offsite construction** – some ordinances allow developers to build the affordable units somewhere different than the initial development, but this again is a policy issue since it could create concentrations of lower income housing
  - **Ability to pay fees in-lieu of construction** – Contentious policy issue, some IZ ordinances do not allow it while many others do. Typically allowing in-lieu payments reduces opposition from development community. Key is to feel comfortable that fees required will be sufficient to deliver same amount of units via trust fund programs (higher the fee the better).
- **Location and appearance of affordable units** – many ordinances require dispersal of units and similar appearance to avoid creating pocket of affordable units within community, while others allow units to be of different size or finish standards than rest of units. Many ordinances require proportionate mix of affordable units comparable to mix of overall units (e.g. cannot build all studio affordable apartments if rest of building has 3BR units)
- **Definition of affordable price by type of unit** – most ordinances require affordability based on 30% of gross income HUD rule although definitions of how to do the calculation can vary
- **How handle resales** – mixed views on whether to use price control to keep units affordable or whether to let initial homeowners share gain in value of house
- **How long units are locked in to be affordable** – 30-45 years in most ordinances, although some keep prices low while others allow for capital gains for owners

Inclusionary Zoning Success Stories Exist Across U.S.

- A few programs have been state mandated (CA, NJ, MA) although municipalities have had flexibility to implement various approaches
- 350-400 local jurisdictions have passed IZ of some kind, although mostly outside the Southeast
- Early model often cited is Montgomery County, MD – has created over 10,000 units since 1975
- More recently, center cities such as Boston, Denver, New York, San Diego, and San Francisco have passed different forms of IZ ordinances
- Some studies indicate over 90,000 affordable units have been created via IZ since 1970

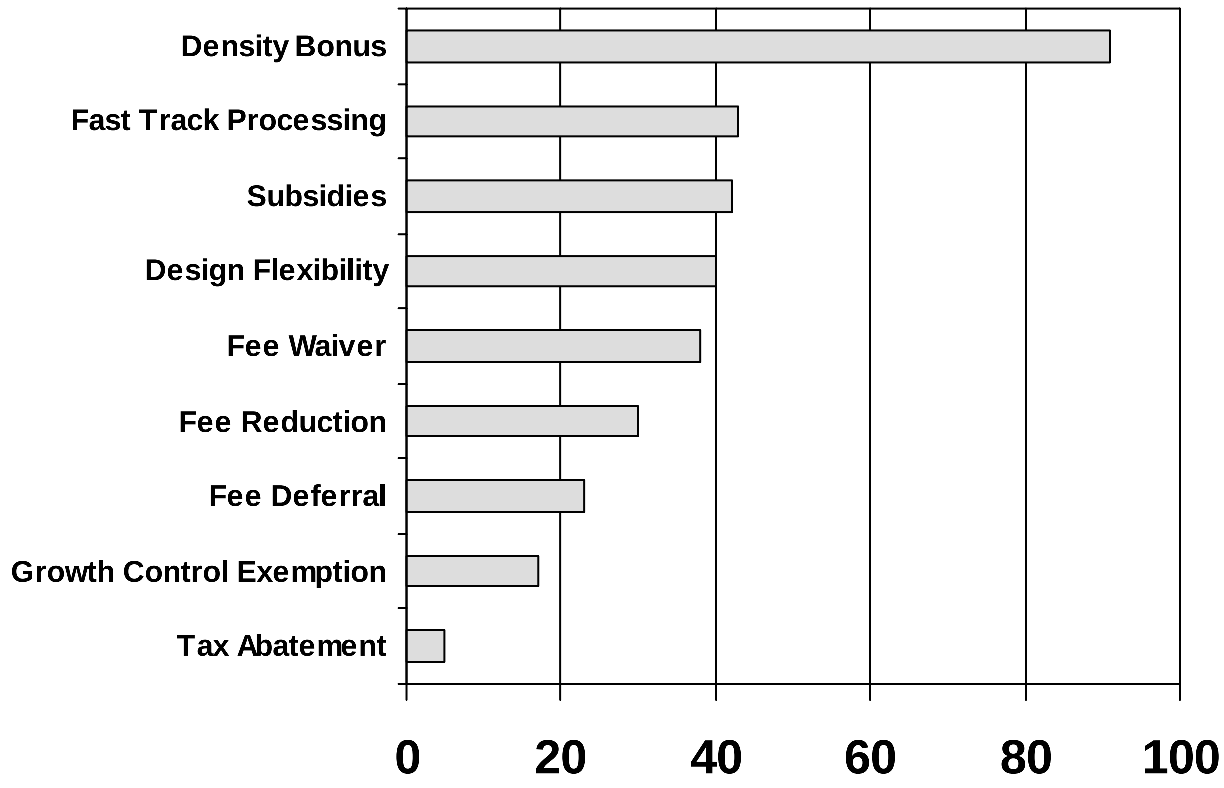
Comparison of Most Successful CA Programs to Rest of State's Less Successful Programs Highlights Lessons

- With over 100 programs in place, CA is great place to analyze different approaches to IZ. Analysis of top 15 programs (in terms of units produced) to rest of the state's programs found following:
  - Mandatory is best and ~15% of units guideline seems to work well
  - Allowing developers alternatives to building mandatory on-site units (e.g. in-lieu payments, off-site units, land donation) is actually beneficial if managed correctly and payments are high enough to produce units elsewhere (not necessarily intuitive)
  - Best programs paid much more to developers in terms of financial subsidies to offset costs (not surprising, makes it easier)
  - Long-term commitment is key – must use some approach to keep units affordable over time (owner-occupied)

California Analysis of Developer Incentives Used Indicates Density Bonuses Most Popular

MOST COMMON DEVELOPER INCENTIVES

Review of 102 CA Inclusionary Housing Programs



Source: National Housing Conference February 2004

Economic Analysis of MA and CA Programs Focused on Benefit of Density Bonus to Improve Economics

- Massachusetts and California research papers have highlighted key issues around use of density bonus to offset cost of affordable units
  - California analyses have shown density bonus of 20% or more can possibly close the gap for developers especially if do not require any of the bonus units to be affordable – key difference is that in CA bonus in some cities is “as of right” meaning they do not have to fight for it if they meet affordable criteria.
  - Important to remember that if developer has to fight an extra six months to get the density bonus approved by NPU then finance costs may eat up the benefits of density bonus
  - Density bonus may be negative if increase requires change from stick to concrete or additional floors that drive up construction costs – vertical density additions can possibly be more expensive than it is worth
  - Density bonus only matters is optimal density is above currently allowed density – for some City developments offering a bonus will have no value
  - Both MA and CA have found 10% requirement often more practically feasible than higher levels – particularly true for smaller developments or higher-end developments where difference of a few units sold at low price can swing the economics even with a density bonus in place
  - Even with density bonuses many cases highlighted reductions in land price of 25% - 50% or more as being the result of IZ ordinance unless developer reduced return on investments (obviously a theoretical calculation, not a statement of fact)

Source: MIT Real Estate Program Thesis Papers – Matthew Foss 2004, James Pennington 2002

A Few Existing Ordinances Outside of General California Information Provide Good Context for Atlanta Discussion

- **Montgomery County, MD** is often cited "grandfather of IZ" and has been in place since 1975

- More recent "big inner city" ordinances are also helpful to examine even though their situation may not be identical to Atlanta
  - **Boston (early 2000 – executive order)**
  - **Denver (late 2002)**
  - **San Diego (late 2003)**

Summary of Montgomery County MD IZ Ordinance

Issue	Ordinance Details
Qualifying size of development	• 35 or more units in areas zoned for ½ acre or smaller lots (originally 50, reduced as situation changed)
Required % affordable	• 12.5% (actually 10%-15% sliding scale with density bonus, originally 15% flat)
Target set-asides within affordable units	• 65% or below of AMI (in 2004 AMI was $84k so eligibility starts at $55k or lower)
Developer Incentives	• Density Bonus – sliding scale vs. % of units affordable • Waiver of code and impact fees and fast track permitting
Alternatives to Required Units	• Originally no alternatives, but some added in 1989 • Now allow off-site construction of units or in-lieu fees but has only been used 3 times (specifically in response to issue of affordable unit owners in condos being unable to pay the condo fees)
Where Payments Go In-Lieu of Units	• Housing Initiatives Fund
Development Standards	• Must be constructed when development has half its units for sale • Must be dispersed throughout and have same external appearance • Can be smaller subject to county minimum limits and have more basic inside amenities than other units
Long Term Affordability Provisions	• Ten year control over resale of owner-occupied units and twenty year rent control • Owner and county split any profits of sale after accounting for improvements, with county portion going into Housing Initiatives Fund • Concern is that 64% of over 10,000 units created since 1975 have now been resold after the ten year limit and are no longer under affordable control – one mitigating factor is that county's Housing Opportunities Commission and other nonprofits have bought some of the units to continue affordability • County council does retain first right of refusal to buy units when they are sold and has done so often

Summary of Boston IZ Ordinance

Issue	Ordinance Details
Qualifying size of development	• Almost all developments of 9 or more units (must pass through zoning change process which is almost every development in Boston)
Required % affordable	• 10%
Target set-asides within affordable units	• Half to 80% AMI or below • Half to 80% - 120% AMI • Overall average price of all affordable units cannot exceed price affordable to 100% AMI
Developer Incentives	• No density bonus and no real explicit incentives but reality (and intent) is that developers negotiate various deals with the Boston Redevelopment Authority who controls all rezoning applications
Alternatives to Required Units	• Allow off-site construction and in-lieu fees • In-lieu fees approximately $52,000 per unit and must in total be equal to equivalent of number of units developer should have produced if they had been forced to create 15% (not 10%) affordable units – creates a little “penalty” for choosing fees
Where Payments Go In-Lieu of Units	• Not clear although they do have a housing creation fund already funded by “linkage fees” – over $45 million created to fund over 5,000 units via fees charged to all new commercial and institutional developments since 1986
Development Standards	• Must be comparable in size and quality to average of all market-rate units in the development • Otherwise no specifics on timing and distribution of units is included
Long Term Affordability Provisions	• All unit types required to remain affordable for 30 years plus 20 year extension (legal quirk) • Owner and county split any profits of sale after accounting for improvements, with county portion going into Housing Initiatives Fund – units can only increase in price annually 5% after taking into account improvements and selling costs • Concern is that 64% of over 10,000 units created since 1975 have now been resold after the ten year limit and are no longer under affordable control – one mitigating factor is that county’s Housing Opportunities Commission and other nonprofits have bought some of the units to continue affordability • County council does retain first right of refusal to buy units when they are sold and has done so often

Summary of Denver IZ Ordinance

Issue	Ordinance Details
Qualifying size of development	• 30 or more units
Required % affordable	• 10%
Target set-asides within affordable units	• 80% AMI or lower AMI except 95% AMI or lower allowed for buildings over 3 stories tall
Developer Incentives	• $5,000 per unit affordable to 65%-80% AMI and $10,000 per unit affordable to under 65% AMI, payable for up to half the units in the entire development if produced and payable upon issuance of certificate of occupancy • Density bonus up to 10% allowed in certain zoning areas, not in others • Expedited processing and parking reductions with specific rules
Alternatives to Required Units	• Allow off-site construction of same number of units or payment of in-lieu fees • In-lieu fees must be 50% of the price of the affordable units that would have been produced – so far no developer has paid the fees but some reported to be considering it
Where Payments Go In-Lieu of Units	• Special housing revenue fund
Development Standards	• Must have comparable exteriors indistinguishable from other units • Must be dispersed in at least two locations within development • Must proceed “reasonably” with overall pace of development • Single family units must have 2 bedrooms and multifamily units must have same ratio of bedrooms as rest of development
Long Term Affordability Provisions	• All unit types required to remain affordable for 15 years under resale restrictions below • City retains right of first refusal to repurchase for first 10 years • Half of price appreciation goes into housing revenue fund after taking into account cost of living increase, capital improvements, and selling fees. • Shared appreciation factor increases from zero in year one to 40% in year ten or longer, with owner getting minimum of $10,000 of any value increase • General plan is for city to figure out how to raise funds to buy these units in the future to keep them affordable

Summary of San Diego IZ Ordinance

Issue	Ordinance Details
Qualifying size of development	• 2 or more units
Required % affordable	• 10%
Target set-asides within affordable units	• 65% AMI or lower for rentals • 100% AMI or lower for owner-occupied
Developer Incentives	• Density bonuses and expedited processing
Alternatives to Required Units	• Allow off-site construction of same number of units or payment of in-lieu fees • In-lieu fees must be 50% of the gap between median affordable unit price and median priced home in overall market of comparable square footage – fee payable over three years and calculated using per square foot numbers set by San Diego Housing Commission using this approach to math
Where Payments Go In-Lieu of Units	• Inclusionary Housing trust fund (in parallel San Diego did a $55 million bond issuance for trust fund to drive over 2,000 units)
Development Standards	• Must be produced at same time as market rate units • Must be comparable in bedroom mix, design, and overall quality to market rate units in development • However, square footage and interior features can differ from market rate units
Long Term Affordability Provisions	• Rents controlled for 55 years • Resale allowed anytime with recapture provisions and City of San Diego has right of first refusal • Gain sharing is based on sliding fifteen year scale starting at 15% for owner and moving up to 100% in year 15 or later • However, City receives gain between affordable price and market price at time of unit's construction – gain sharing only applies above starting market value at time of construction

Comparison of Urban IZ Ordinance Income Targets

City/County	Percent of AMI Levels For Affordable Units
Boston	Half 80% or below Half 80%-120%
Denver	80% or lower except 95% or lower if building over three stories tall
San Diego	65% or lower for rentals 100% or lower for owner-occupied
Tallahassee	70%-100% AMI (maximum sales price set using 100% AMI)
Fulton County (proposed)	Half 80% or below Half 80%-120%
Our Current City of Atlanta Proposal If Use Density Bonus	30% - 45% - 60% for rentals (40/40/20 split) 60% - 80% - 115% for owner (40/40/20 split) (if do not use density bonus then only require 50% of units at middle tier of 45% or 80%

Our Proposal Is Based On Best Practices Research

- Team has reviewed ordinances and results from across U.S.
  - A few programs have been state mandated (CA, NJ, MA) although municipalities have had flexibility to implement various approaches
  - 350-400 local jurisdictions have passed IZ of some kind (although mostly outside the Southeast) and momentum is building
  - Early model often cited is Montgomery County, MD – has created over 10,000 units since 1975
  - More recently, center cities such as Boston, Denver, New York, San Diego, and San Francisco have passed different forms of IZ ordinances
- Team has also reviewed recent DeKalb and Fulton ordinances and spent time with ANDP reviewing the issues and our proposal

INITIATIVE UPDATES

LAND BANK AUTHORITY POLICY

Affordable Workforce Housing Implementation Task Force

Recommended Land Bank Authority
Policy Changes

How Can The Land Bank Authority Help Affordable Workforce Housing Development?

- If you are planning to use a parcel for affordable housing or another purpose deemed beneficial to the community and approved by the Land Bank Authority Board:
  - Land Bank Authority can erase tax liens if you own the property (or have contract to purchase it) to give you clean title and no outstanding tax bills to pay
  - Land Bank Authority can hold land tax-free as well and return it to you later
  - Land Bank Authority can ask Fulton Tax Commissioner to bring faster judicial foreclosure proceeding against a missing/absentee owner for the parcel that would then allow you to buy it on the courthouse steps via an auction (but you can be outbid or someone can buy the tax lien before you get there)

Land Bank Authority Concerns Have Turned Away From Issue of Erasing Tax Liens and Are Instead More About Assisting With Banking Land

- Property values have risen in so many areas that the real issue with acquiring land for affordable workforce housing is the land price instead of erasing an large tax lien (even though erasing the tax lien is always helpful)

- Speculators often step in to purchase a tax lien on a property if the Land Bank attempts to initiate judicial foreclosure – the liens are not large enough relative to the underlying property value to be a deterrent against this type of investment

Land Bank Authority Concerns Have Turned Away From Issue of Erasing Tax Liens and Are Instead More About Assisting With Banking Land

- Efforts are underway to create a public/private partnership with Enterprise Foundation and others to work on bridge financing (1-2 years) to assist developers focused on affordable workforce housing

- And others have expressed a strong interest in buying land to hold (potentially even longer than 1-2 years) for future affordable workforce housing:
  - ACoRA interest in renewal community/empowerment zone areas
  - Casey Foundation interest in Pittsburgh area
  - Community Foundation has donors interested in potentially investing assets in this purpose (for a return, but with affordable focus)
  - BeltLine will create large trust fund that could potentially be used to buy land now to preserve for future affordable workforce housing

Nothing Stops Anyone From Buying Land Now, But Engaged Land Bank Would Help Process

- Working meetings of the interested organizations have recognized that in many ways we missed the window to effectively use the Land Bank as originally intended
- However, Land Bank can still be very helpful - all agree that we need to seek Land Bank Authority policy change to formally approve broad use of “land banking” authority to hold land tax-free within the Land Bank to support affordable workforce housing goals

Nothing Stops Anyone From Buying Land Now, But Engaged Land Bank Would Help Process

- Land Bank has power to hold land tax-free which would provide a tangible benefit to the groups interested in purchasing land and holding it for a while for future affordable workforce housing development
- Maintenance of undeveloped banked properties would be responsibility of owner unless otherwise specified in contracts for specific parcels
- Land Bank would negotiate contracts with each organization to ensure that properties were not given back until appropriate affordable workforce housing use had been specified
- Using a focused approach instead of holding land anywhere in the City would allow Land Bank to responsibly address concerns about tax revenues

Despite Name of Land Bank Authority, Prior Boards Have Generally Opposed Banking of Land

- Land Bank has generally avoided holding any property for any length of time outside of city owned properties that were transferred to it over the years
- Recent exceptions made for small projects in Mechanicsville
- General approach has been to give priority to avoiding holding property tax-free – this mindset has ranked higher than affordable workforce housing purpose

Land Bank Authority Should Be Supportive Of Policies That Drive Affordable Workforce Housing

- Land Bank authorizing legislation (48-4-64-c) makes housing purpose clear: “In determining whether or not to extinguish taxes, the authority shall consider the public benefit to be gained by tax forgiveness with primary consideration given to purchasers who intend to build or rehabilitate low-income housing”
- Banked properties would eventually return to taxable status with new housing developed on it, increasing its taxable value for the City, County, and APS

Proposed Policy Statement

- Land Bank Authority will bank land that is reserved contractually for affordable housing as defined via City policy definitions in select targeted areas within the City limits
  - Mayor's Six Economic Development Plan Focus Areas
  - Tax Allocation Districts
  - Community Development Impact Areas
  - ACoRA former Empowerment Zone area
- This land may be arranged via contract to prevent maintenance being the responsibility of the Land Bank
- It is expected that most land would only be held 1-2 years as part of the planned Land Assemblage Financing Fund program